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ABSTRACT

This speech describes local school board concern over rising insurance costs, suggests an insurance pool for New Jersey public schools under Department of Education control, and discusses other insurance matters of concern to school boards. The author observes that a State Department sampling of insurance brokers who carry the bulk of student accident insurance reveals that (1) some commercial carriers do not want to write school insurance coverage, (2) sports program coverage is more comprehensive today than it was two years ago, (3) football is a big concern and the "excess provision" (that requires the carrier in situations where privately purchased insurance covers injuries to pay only excess expense not so covered) is becoming more accepted, and that (4) rates vary among school districts according to the claim experience of the district. (Author)

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New Jersey School Boards Association Workshop, October 28, 1971
"What the Board Needs to know about Insurance."
by Victor J. Podesta

Gentlemen, if it's any consolation to you, the State Department of Education and other offices of State Government share what must be your concern for rising insurance costs and the sometimes seeming reluctance of commercial carriers to write school coverage.

In fact, the Governor's Management Commission, in its 1970 report on the operation of the Department of Education, saw fit to make a recommendation that property insurance programs for all local school districts be consolidated under the Department of Education.

The recommendation said that all property insurance covering damage to buildings as a result of fire, extended coverage perils and vandalism should be placed on a blanket policy with a deductible of at least $10,000.

According to the Commission, an analysis of the number of buildings, their locations throughout the State, total valuation of these buildings and their contents, of loss experience and an assumed loss frequency factor shows that a maximum rate credit of 43 per cent could be obtained under the multiple locations rating plan. Based on annual premiums of some one and a half million dollars, it appears that an annual savings of $675,000 to local school districts can be effected.

The other area, availability of property insurance at a reasonable cost, may interest you more. A study conducted by the New Jersey School Boards Association revealed that costs of property and casualty insurance are a small percentage of most school budgets. Consequently, a concern of school boards greater than cost alone, is the availability of property insurance at a reasonable cost.

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There are a number of people in the Department of Education who feel that this "availability" problem should be solved by a State insurance pool. (Assembly Bill No. 2045)

Their thinking is bolstered by the conclusions of the School Boards Association study of the mutual casualty insurance pool.

There seems to be general agreement that an insurance pool for New Jersey public schools would provide a substantial service to the school districts and should be established under the Department's control.

There's agreement that, through use of the pool, insurance can be provided at a reasonable rate and that availability of insurance would be certain.

This pool would provide property insurance for buildings and the contents of schools against loss by fire, lightning, windstorm, hail, explosion, riot or civil commotion, vehicle damage, falling aircraft, smoke and vandalism and malicious mischief.....which pretty much covers anything you or I or any student could do to a building.

Just to touch on a few more of the School Boards Association study recommendations:

1) A $500 deductible would apply against all direct fire and extended coverage physical losses to property and a per loss dedutible of $1,000 would apply to all vandalism and malicious mischief.

2) Public liability coverage can be provided by this pool.

3) Automobile liability and physical damage insurance can be provided with appropriate collision and comprehensive fire and theft deductible.

It was also recommended that the pool should provide itself with appropriate excess insurance to protect against adverse claims on property losses in excess of one million dollars aggregate and liability losses in excess of one million dollars for each occurrence.

Loss-premium ratios developed over a period of three years indicated ratios of:

1) Twenty-eight per cent for vehicle coverage

2) Thirty per cent for general liability coverage, and

3) Eighteen per cent for property insurance

Insurance companies show as underwriting profit at a loss ratio of 55 per cent or less.

So much for property insurance and what we would like it to be and hope that it will become. What about student accident insurance?

We recently conducted a telephone sampling of insurance brokers who, according to the State Department of Insurance, carry the bulk of student accident insurance.

One distressing report is that the brokers' experiences with student accident insurance is not good. The brokers are having underwriter problems and some companies just do not want to handle student insurance.

Briefly, we find that coverage under the sports program is more comprehensive today than it was two years ago.

Football is the big concern. The inclusion of the "excess provision" which requires the carrier, in situations where privately purchased insurance covers the student's athletic injuries, to pay only the excess expenses not covered by the private insurance, is becoming

more generally accepted.

We also found that rates vary among school districts, according to the claim experience of the district. It is quite possible that the demands of a coaching staff or the effectiveness of a safety program can be found reflected in a difference in the rate of incidence of injury.

So far as costs are concerned, there has been no significant change in elementary school cost in the last five years, while increases of 20 to 30 per cent are reported at the secondary school level, modified according to the accident rate. With one company, the highest rate is $7.00 for a $10,000 accident policy, excluding football, of course.

Concerning claims, the insurance people seem to feel that the over-use of insurance frequently depends on the school's athletic department. They say that some claim for every band-aid type of injury, while others are more reasonable.

Today, insurance companies have moved away from the blanket-type of coverage in student accident insurance. They are excluding certain sports, such as football, and they provide a sports supplement.

As might be expected, there are some inconsistencies between the sampling of insurance brokers and a similar sampling of schools--I stress, however, that this is a small sampling and should not be interpreted to have anything conclusive to offer.

The companies say that elementary rates have not gone up. They also say that the rates depend upon the individual school district accident and claim record. The schools indicate that all rates have gone up but that the increase is nominal and may be attributed to increased medical costs.

ACCIDENT FREQUENCY
STUDENTS

YEAR	NUMBER INSURED	NUMBER OF CLAIMS PAID	FREQUENCY	AVERAGE CLAIM
1961-1962	269,400	16,813	6.22%	$ 30.66
1962-1963	297,900	22,668	7.60%	33.11
1963-1964	260,300	21,233	8.03%	33.01
1964-1965	270,905	22,743	8.41%	34.67
1965-1966 (Totals for both companies)	275,074	23,852	8.5%	35.56
1966-1967 (Totals for both companies)	285,704	25,245	8.8%	39.06
1967-1968 (Totals for both companies)	323,513	26,636	8.2%	41.92
1968-1969 (Totals for both companies)	322,833	27,162	8.4%	42.80
1969-1970	328,571	23,200	7.06%	43.24
1970-1971	323,146	22,584	6.98%	39.82

ACTUARIAL EXPERIENCES OF
306 NEW JERSEY SCHOOL DISTRICTS

1957-1958

NUMBER INSURED	NUMBER OF CLAIMS	AVERAGE CLAIM
389,234	18,914	$28.83

FINAL CONCLUSION

Before student accident insurance became available, whenever a student was injured in school or on school property, even though the parent had no valid claim, school administrators and boards of education suffered from poor public relations that were caused by the parent's assumption that there was a moral, if not legal, responsibility on the part of the board of education for the costs involved.

Low cost student accident insurance policies that give protection to parents against losses due to accidents, have rendered service to parents, school boards, administrators and particularly to the children in our schools who have benefitted from medical treatment that might not have been administered without the existence and availability of student accident insurance programs.